

The President's Daily Brief

29 December 1973

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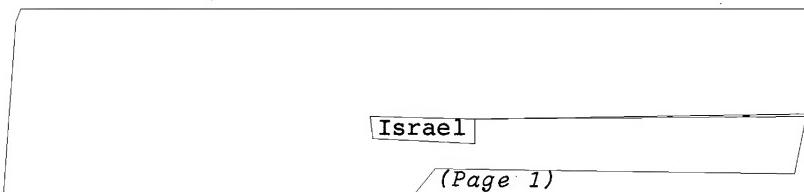
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

December 29, 1973

PRINCIPAL DEVELOPMENTS



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Prime Minister Meir's Labor Party is generally expected to stay in power after Israel's parliamentary election on Monday. (Page 3)

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The Soviets

(Page 4)



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(Page 6)

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Japan has approved a \$1-million credit for North Korea. (Page 7)

Japanese leaders are fanning out around the world in search of fuel and good will. (Page 8)

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Cyprus. (Page 9)

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ARAB STATES - ISRAEL

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There are additional indicators that fighting
could soon resume in the Middle East.

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At Geneva, Egyptian and Israeli military negotiators concluded their second disengagement meeting yesterday. The next meeting is set for January 2-- two days after the Israeli election, when the Israelis may feel free to discuss substance, if Mrs. Meir's government is returned to office. So far, the two sides have concentrated on outlining their respective ideas of the general principles that should govern disengagement.

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ISRAEL

Prime Minister Meir's ruling Labor Alignment is generally expected to receive a sufficiently large plurality in Monday's parliamentary election to enable it to retain control of the government. The US Embassy points out, however, that the outcome of this election is more uncertain than any other in Israeli history, largely because of the recent war and its aftermath. Recent Israeli polls indicate that large numbers of voters--40 percent in one recent poll--are still undecided.

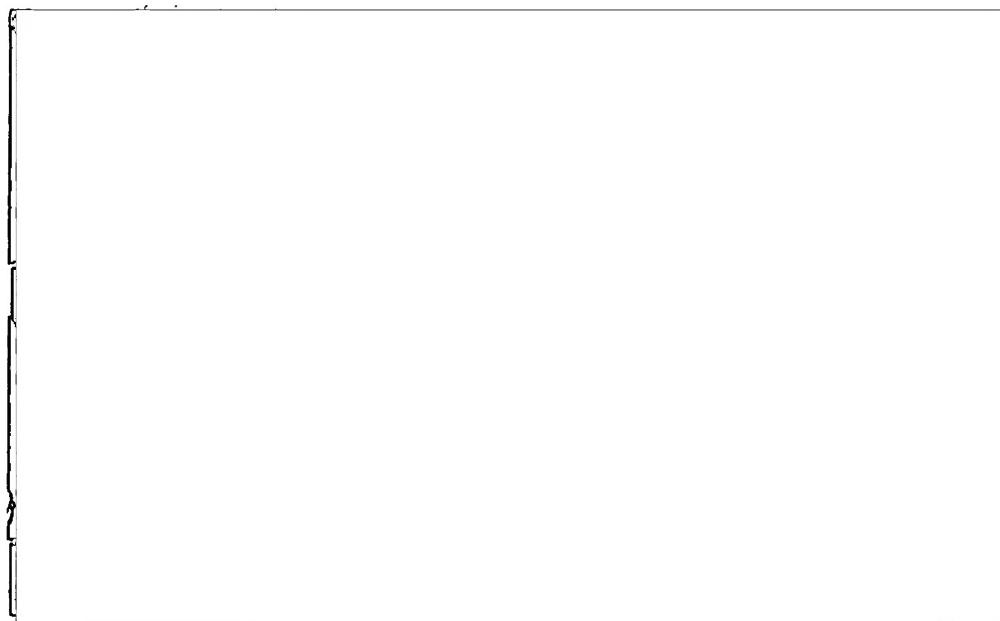
The Labor Alignment seems likely to lose some of its 57 seats in the 120-member Knesset. The losses are generally expected to be from five to eight seats, with the Alignment's coalition partners losing perhaps another three seats. While even a loss totaling 11 of the coalition's 77 Knesset seats would still allow Mrs. Meir to form a new government, her margin would be dangerously small and the negotiations to put together a majority would be even more protracted than usual.

The main challenge to Mrs. Meir's continued rule comes from the rightist Likud--a three-party alliance formed last summer--which has been generally hostile toward compromise with the Arabs. The embassy believes that Likud may add six to eight seats to the 31 it now has in the Knesset.

Although most observers believe Likud unlikely to win enough seats to form the main core of a new governing coalition replacing the Alignment, the possibility exists that it could make a sufficiently strong showing to press Mrs. Meir to take it into a "national unity" government. This would seriously reduce Israeli flexibility in negotiating a peace settlement. If Likud does as well as some predict, it could perhaps place Mrs. Meir in a minority position by winning over the National Religious Party, now the Alignment's major coalition partner, and by inducing Defense Minister Dayan and his followers to break away from Mrs. Meir.

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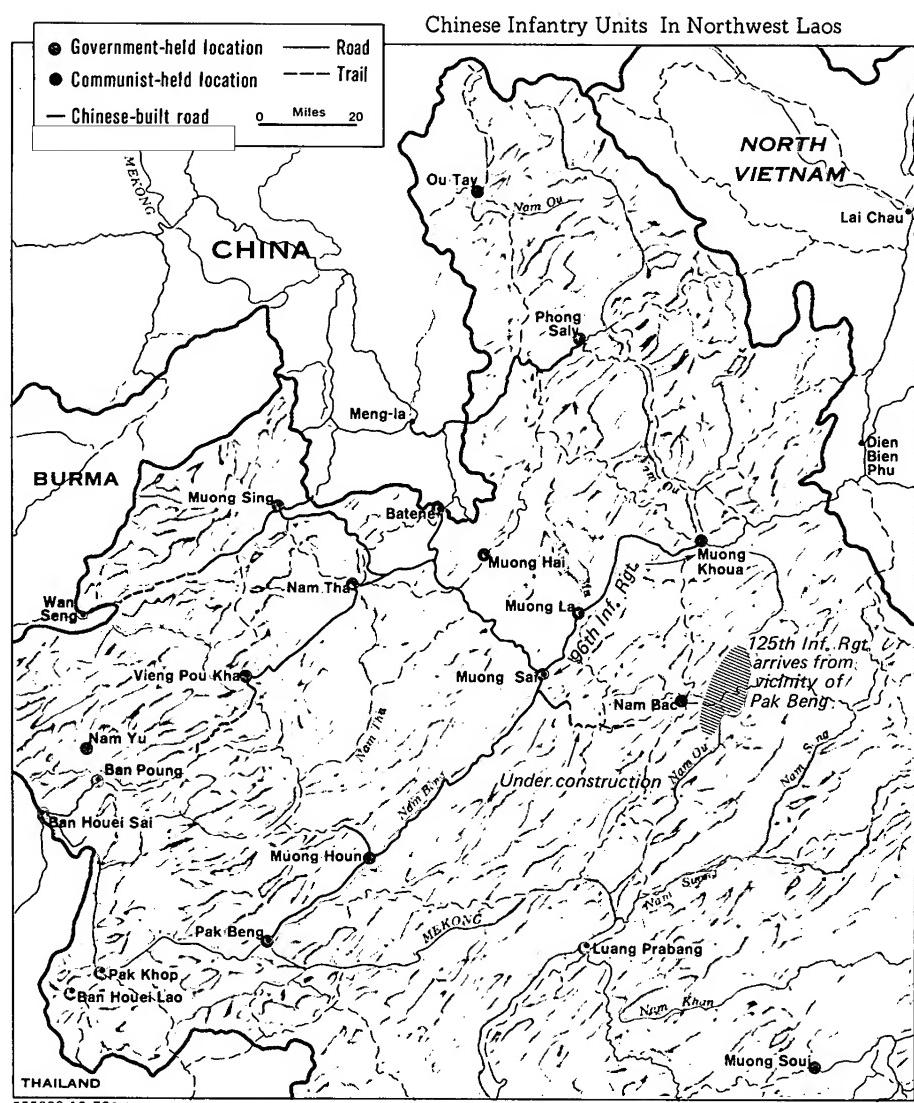
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CHINA-LAOS



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Peking began providing infantry protection for its engineer and construction troops in Laos in early 1972. Current Chinese troop strength in Laos is estimated at 25,000; the withdrawal of the infantry regiment will reduce that number to about 23,000.

The withdrawal will also make China's presence more compatible with its apparent desire to eliminate Laos as a source of Sino-US friction. Since last year, China has taken an active role in Lao affairs--first in promoting a cease-fire, and then in supporting the concept of a coalition government in Vientiane.

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Peking resumed normal diplomatic contacts with the Souvanna government more than a year ago, and [redacted] Peking would send an ambassador to Laos when a coalition emerges. Chinese aircraft also transported Lao Communist personnel to Luang Prabang in implementation of the agreement between the Lao sides in September.

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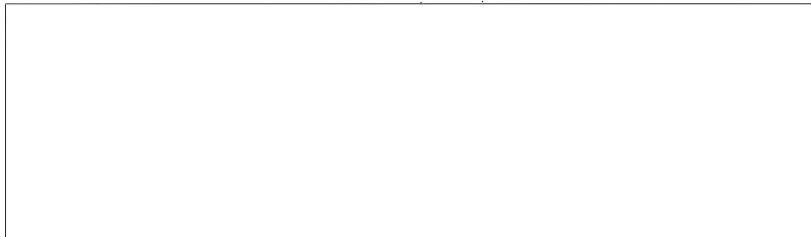
China clearly intends to maintain its influence in Laos, partially through its construction program in the north. Chinese diplomats have hinted that Peking plans to give its presence there a civilian cast. There have also been signs that Peking may wish to renegotiate the 1962 Sino-Laotian agreement on road construction in an effort to put its activities on a more legitimate and durable footing.

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JAPAN-KOREA

The announcement yesterday that Tokyo has approved a \$1-million economic credit to North Korea highlights the continuing improvement in Japanese - North Korean relations. Japan recently sold a large cement plant to North Korea, one of the largest transactions thus far between the two, and trade is running about 25 percent ahead of last year.

South Korea, moreover, does not have enough leverage with Japan to reverse this trend, particularly since the Kim Tae-chung kidnaping case. The case may have figured in the reduction of Japanese aid to South Korea announced at the joint ministerial conference this week, although Japan's domestic economic problems were at least partly responsible.

The Japanese pledge was far short of Seoul's request and below the aid granted last year. Tokyo left open the possibility of further grants, however, if Japan's economy improves.

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JAPAN

With the Diet in recess until January 21, Japanese leaders are undertaking an unusually active diplomatic schedule in the interim. Three are going to the Middle East and Persian Gulf to talk about oil supplies.

Three others are going elsewhere. Deputy Prime Minister Miki, who has just returned from a swing through Arab oil producing states, plans to visit Washington about January 7 for discussions on the Middle East and related issues. He will also meet with UN Secretary-General Waldheim in New York.

Prime Minister Tanaka's scheduled tour of five Southeast Asian nations is not directly related to the energy crisis. It has been planned as an effort to improve Tanaka's domestic standing, and, at least as important, to meet growing regional criticism of Japanese economic policy, particularly in Indonesia.

Foreign Minister Ohira will go to Peking, apparently at Chinese request, for formal signature of a recently concluded trade agreement. While there, he may find the Chinese willing to break an impasse over reaching a civil aviation agreement. The Japanese may also wish to explain anticipated cutbacks in exports to China--chemical fertilizer, for example--in terms of their current oil shortage, and perhaps to discuss bilateral investigation of China's Po Hai Gulf oil deposits.

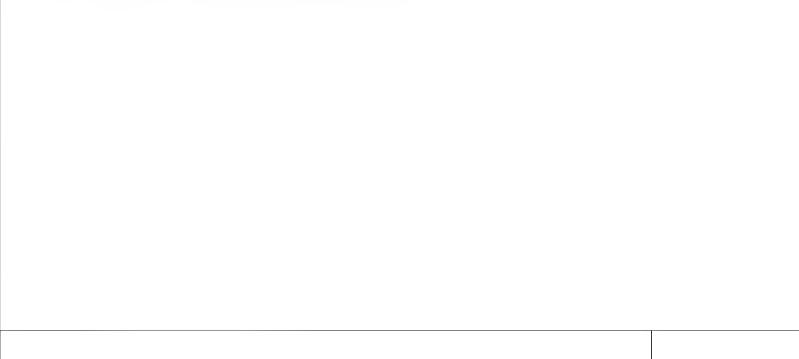
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NOTE

Cyprus-Czechoslovakia: 

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